

**ND PUBLIC EMPLOYEES RETIREMENT SYSTEM**  
**INVESTMENT PERFORMANCE REPORT AS OF JULY 31, 2004**

	July-04				Current	Prior Year	3 Years	5 Years
	Market Value	Allocation	Policy	Month	Fiscal YTD	FY04	Ended	Ended
		Actual		Net ROR	Net ROR	Net ROR	6/30/2004	6/30/2004
							Net	Net
<b>LARGE CAP DOMESTIC EQUITY</b>								
<i>Structured Growth</i>								
LA Capital	55,505,575	4.3%	4.5%	-5.13%	-5.13%	N/A	N/A	N/A
<b>Total Structured Growth</b>	<b>55,505,575</b>	<b>4.3%</b>	<b>4.5%</b>	<b>-5.13%</b>	<b>-5.13%</b>	<b>19.20%</b>	<b>-5.87%</b>	<b>-7.07%</b>
<i>Russell 1000 Growth</i>				-5.65%	-5.65%	17.88%	-3.74%	-6.48%
<i>Structured Value</i>								
LSV	60,654,290	4.7%	4.5%	-1.26%	-1.26%	29.44%	9.20%	8.31%
<i>Russell 1000 Value</i>				-1.41%	-1.41%	21.13%	2.96%	0.64%
<i>Enhanced Russell 1000 Index</i>								
LA Capital	75,642,526	5.9%	4.5%	-4.05%	-4.05%	18.59%	-0.17%	N/A
<i>Russell 1000</i>				-3.51%	-3.51%	19.46%	-0.32%	N/A
<i>Enhanced S&amp;P 500 Index</i>								
Northern Trust	76,432,291	6.0%	4.5%	-3.67%	-3.67%	19.00%	-0.31%	N/A
Strong	2,367,141	0.2%	4.5%	0.00%	0.00%	21.13%	-0.06%	N/A
Westridge	76,161,611	6.0%	4.5%	-3.30%	-3.30%	19.30%	-0.36%	N/A
<b>Total Enhanced S&amp;P 500 Index</b>	<b>154,961,043</b>	<b>12.1%</b>	<b>13.5%</b>	<b>-3.18%</b>	<b>-3.18%</b>	<b>19.81%</b>	<b>-0.24%</b>	<b>N/A</b>
<i>S&amp;P 500</i>				-3.31%	-3.31%	19.11%	-0.69%	N/A
<i>S&amp;P 500 Index</i>								
State Street	38,835,600	3.0%	3.0%	-3.31%	-3.31%	19.08%	-0.67%	-2.17%
<i>S&amp;P 500</i>				-3.31%	-3.31%	19.11%	-0.69%	-2.20%
<b>TOTAL LARGE CAP DOMESTIC EQUITY</b>	<b>385,599,034</b>	<b>30.2%</b>	<b>30.0%</b>	<b>-3.43%</b>	<b>-3.43%</b>	<b>20.38%</b>	<b>0.08%</b>	<b>-2.14%</b>
<i>S&amp;P 500</i>				-3.31%	-3.31%	19.11%	-0.69%	-2.20%
<b>SMALL CAP DOMESTIC EQUITY</b>								
<i>Manager-of-Managers</i>								
SEI	123,158,497	9.6%	10.0%	-7.32%	-7.32%	33.33%	5.76%	N/A
<i>Russell 2000 + 200bp</i>				-6.57%	-6.57%	35.99%	8.43%	N/A
<b>TOTAL SMALL CAP DOMESTIC EQUITY</b>	<b>123,158,497</b>	<b>9.6%</b>	<b>10.0%</b>	<b>-7.32%</b>	<b>-7.32%</b>	<b>33.33%</b>	<b>5.76%</b>	<b>6.81%</b>
<i>Russell 2000</i>				-6.73%	-6.73%	33.36%	6.24%	6.63%
<b>INTERNATIONAL EQUITY</b>								
<i>Large Cap - Core</i>								
State Street	26,394,583	2.1%	2.0%	-3.04%	-3.04%	27.44%	0.42%	-1.44%
<i>MSCI EAFE - 50% Hedged</i>				-2.80%	-2.80%	26.98%	-1.27%	-1.15%
<i>Large Cap - Active</i>								
Capital Guardian	63,739,370	5.0%	5.0%	-2.97%	-2.97%	25.40%	-1.15%	1.54%
Bank of Ireland	12,919,739	1.0%	1.0%	-3.34%	-3.34%	23.61%	N/A	N/A
<b>Total Large Cap - Active</b>	<b>76,659,109</b>	<b>6.0%</b>	<b>6.0%</b>	<b>-3.03%</b>	<b>-3.03%</b>	<b>25.11%</b>	<b>-0.79%</b>	<b>1.76%</b>
<i>MSCI EAFE - 50% Hedged</i>				-2.80%	-2.80%	26.98%	-1.27%	-1.15%
<i>Small Cap - Active</i>								
Lazard	13,617,272	1.1%	1.0%	-2.84%	-2.84%	44.40%	N/A	N/A
Wellington	13,617,428	1.1%	1.0%	-4.65%	-4.65%	42.26%	N/A	N/A
<b>Total Small Cap - Active</b>	<b>27,234,700</b>	<b>2.1%</b>	<b>2.0%</b>	<b>-3.74%</b>	<b>-3.74%</b>	<b>43.25%</b>	<b>N/A</b>	<b>N/A</b>
<i>Citigroup Broad Market Index &lt; \$2BN</i>				-4.20%	-4.20%	47.95%	N/A	N/A
<b>TOTAL INTERNATIONAL EQUITY</b>	<b>130,288,392</b>	<b>10.2%</b>	<b>10.0%</b>	<b>-3.18%</b>	<b>-3.18%</b>	<b>29.19%</b>	<b>2.00%</b>	<b>1.63%</b>
<i>MSCI EAFE - 50% Hedged</i>				-2.80%	-2.80%	26.98%	-1.27%	-1.15%
<b>EMERGING MARKETS EQUITY</b>								
<i>Capital Guardian</i>	<b>60,803,528</b>	<b>4.8%</b>	<b>5.0%</b>	<b>-1.94%</b>	<b>-1.94%</b>	<b>27.91%</b>	<b>8.93%</b>	<b>2.83%</b>
<i>MSCI Emerging Markets Free</i>				-1.77%	-1.77%	33.50%	13.09%	3.25%
<b>DOMESTIC FIXED INCOME</b>								
<i>Core Bond</i>								
Western Asset	35,364,200	2.8%	2.4%	1.23%	1.23%	2.02%	8.00%	8.39%
<i>Lehman Aggregate</i>				0.99%	0.99%	0.32%	6.35%	6.95%
<i>Active Duration</i>								
WestAM (Criterion)	34,482,667	2.7%	2.4%	0.88%	0.88%	-0.25%	5.14%	6.43%
<i>Lehman Aggregate</i>				0.99%	0.99%	0.32%	6.35%	6.95%
<i>Index</i>								
Bank of ND	61,901,064	4.8%	5.0%	0.95%	0.95%	-1.03%	6.88%	7.04%
Bank of ND Match Loan CD Program	12,415,498	1.0%	1.0%	0.42%	0.42%	5.08%	5.57%	5.70%
<b>Total Index</b>	<b>74,316,562</b>	<b>5.8%</b>	<b>6.0%</b>	<b>0.85%</b>	<b>0.85%</b>	<b>0.23%</b>	<b>6.79%</b>	<b>6.83%</b>
<i>Lehman Gov/Credit</i>				1.06%	1.06%	-0.72%	6.73%	7.10%

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<b>Convertibles</b>								
<b>TCW</b>	<b>33,388,689</b>	<b>2.6%</b>	<b>2.4%</b>	<b>-4.83%</b>	<b>-4.83%</b>	<b>16.74%</b>	<b>0.51%</b>	<b>3.89%</b>
First Boston Convertible Index				-2.18%	-2.18%	14.44%	4.95%	5.78%
<b>BBB Average Quality</b>								
<b>Strong</b>	<b>34,001,038</b>	<b>2.7%</b>	<b>2.4%</b>	<b>1.57%</b>	<b>1.57%</b>	<b>1.29%</b>	<b>6.26%</b>	<b>7.23%</b>
Lehman BBB				1.40%	1.40%	1.23%	8.23%	6.60%
<b>Timberland</b>								
<b>Evergreen (Wachovia)</b>	<b>105,985,960</b>	<b>8.3%</b>	<b>8.3%</b>	<b>0.00%</b>	<b>0.00%</b>	<b>10.46%</b>	<b>N/A</b>	<b>N/A</b>
							N/A	N/A
<b>TOTAL DOMESTIC FIXED INCOME</b>	<b>317,539,116</b>	<b>24.9%</b>	<b>24.0%</b>	<b>0.04%</b>	<b>0.04%</b>	<b>5.08%</b>	<b>6.35%</b>	<b>7.34%</b>
Lehman Aggregate				0.99%	0.99%	0.32%	6.35%	6.95%
<b>HIGH YIELD BONDS</b>								
<b>Loomis Sayles</b>	<b>32,427,042</b>	<b>2.5%</b>	<b>2.5%</b>	<b>1.21%</b>	<b>1.21%</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>
Lehman High Yield Cash Pay Index				1.37%	1.37%	N/A	N/A	N/A
<b>Sutter/Wells Capital</b>	<b>33,029,715</b>	<b>2.6%</b>	<b>2.5%</b>	<b>1.30%</b>	<b>1.30%</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>
Merrill Lynch High Yield Master II Index				1.33%	1.33%	N/A	N/A	N/A
<b>TOTAL HIGH YIELD BONDS</b>	<b>65,456,757</b>	<b>5.1%</b>	<b>5.0%</b>	<b>1.26%</b>	<b>1.26%</b>	<b>7.69%</b>	<b>6.68%</b>	<b>2.79%</b>
Lehman High Yield Bond Index				1.36%	1.36%	10.33%	9.30%	4.78%
<b>INTERNATIONAL FIXED INCOME</b>								
<b>International Sovereign</b>								
<b>UBS Global (Brinson)</b>	<b>30,485,037</b>	<b>2.4%</b>	<b>2.5%</b>	<b>-0.96%</b>	<b>-0.96%</b>	<b>7.86%</b>	<b>14.20%</b>	<b>6.47%</b>
Citigroup Non-US Gov't Bond Index (1)				-0.88%	-0.88%	7.59%	13.65%	6.84%
<b>International Core</b>								
<b>Brandywine</b>	<b>31,250,296</b>	<b>2.4%</b>	<b>2.5%</b>	<b>0.27%</b>	<b>0.27%</b>	<b>9.65%</b>	<b>N/A</b>	<b>N/A</b>
Lehman Global Aggregate (ex-US)				-0.70%	-0.70%	5.20%	N/A	N/A
<b>TOTAL INTERNATIONAL FIXED INCOME</b>	<b>61,735,333</b>	<b>4.8%</b>	<b>5.0%</b>	<b>-0.34%</b>	<b>-0.34%</b>	<b>8.78%</b>	<b>14.41%</b>	<b>6.59%</b>
Citigroup Non-US Gov't Bond Index (1)				-0.88%	-0.88%	7.59%	13.65%	6.84%
<b>REAL ESTATE</b>								
JMB	15,736			0.00%	0.00%	1.45%	-5.90%	-3.04%
INVESCO	27,226,389			-0.17%	-0.17%	6.72%	5.80%	7.59%
J.P. Morgan	34,375,156			0.68%	0.68%	11.11%	7.63%	9.54%
<b>TOTAL REAL ESTATE</b>	<b>61,617,282</b>	<b>4.8%</b>	<b>5.0%</b>	<b>0.28%</b>	<b>0.28%</b>	<b>8.87%</b>	<b>6.70%</b>	<b>8.55%</b>
NCREIF TOTAL INDEX				1.03%	1.03%	10.82%	8.40%	9.33%
<b>ALTERNATIVE INVESTMENTS</b>								
Brinson IVCF II	212,255			0.00%	0.00%	19.39%	-7.72%	4.43%
Coral Partners II	120,310			0.00%	0.00%	14.14%	-16.27%	-15.91%
Coral Partners V	5,921,721			0.00%	0.00%	-31.07%	-34.06%	-13.63%
Coral Partners V - Supplemental	704,240			0.00%	0.00%	30.44%	N/A	N/A
Coral Partners VI	3,898,860			0.00%	0.00%	-21.72%	N/A	N/A
Brinson 1998 Partnership Fund	1,638,765			0.00%	0.00%	9.41%	-7.52%	3.66%
Brinson 1999 Partnership Fund	2,734,739			0.00%	0.00%	14.66%	-9.09%	-1.33%
Brinson 2000 Partnership Fund	4,541,283			0.00%	0.00%	11.19%	-6.65%	N/A
Brinson 2001 Partnership Fund	2,096,109			0.00%	0.00%	6.64%	-2.03%	N/A
Brinson 2002 Partnership Fund	1,190,794			0.00%	0.00%	14.42%	N/A	N/A
Brinson 2003 Partnership Fund	163,760			0.00%	0.00%	-4.63%	N/A	N/A
Brinson 1999 Non-US Partnership Fund	1,380,260			0.00%	0.00%	21.09%	8.14%	4.24%
Brinson 2000 Non-US Partnership Fund	1,723,690			0.00%	0.00%	15.38%	5.71%	N/A
Brinson 2001 Non-US Partnership Fund	1,077,652			0.00%	0.00%	16.63%	3.39%	N/A
Brinson 2002 Non-US Partnership Fund	1,618,915			0.00%	0.00%	18.67%	N/A	N/A
Brinson 2003 Non-US Partnership Fund	383,642			0.00%	0.00%	-3.93%	N/A	N/A
Brinson 2004 Non-US Partnership Fund	74,248			0.00%	0.00%	N/A	N/A	N/A
Brinson BVCF IV	7,840,281			0.00%	0.00%	21.17%	-9.85%	-10.01%
Matlin Patterson Global Opportunities	11,217,741			0.00%	0.00%	13.00%	N/A	N/A
InvestAmerica	1,883,852			0.00%	0.00%	-7.73%	N/A	N/A
Hearthstone MSII	445,638			0.00%	0.00%	28.64%	20.32%	N/A
Hearthstone MSIII	9,044,928			0.00%	0.00%	N/A	N/A	N/A
<b>TOTAL ALTERNATIVE INVESTMENTS (2)</b>	<b>59,913,684</b>	<b>4.7%</b>	<b>5.0%</b>	<b>0.00%</b>	<b>0.00%</b>	<b>3.23%</b>	<b>-12.85%</b>	<b>-1.69%</b>
<b>CASH EQUIVALENTS</b>								
<b>Northern Trust STIF/STEP</b>	<b>11,705,844</b>	<b>0.9%</b>	<b>1.0%</b>	<b>0.12%</b>	<b>0.12%</b>	<b>1.44%</b>	<b>1.86%</b>	<b>3.48%</b>
90 Day T-Bill				0.12%	0.12%	0.98%	1.71%	3.29%
<b>TOTAL FUND</b>	<b>1,277,817,467</b>	<b>100.0%</b>	<b>100.0%</b>	<b>-2.19%</b>	<b>-2.19%</b>	<b>16.66%</b>	<b>4.65%</b>	<b>3.78%</b>
<b>POLICY TARGET BENCHMARK</b>				<b>-1.72%</b>	<b>-1.72%</b>	<b>14.79%</b>	<b>4.26%</b>	<b>2.91%</b>

**NOTE: Monthly returns and market values are preliminary and subject to change.**

(1) Previously this benchmark was titled Salomon Brothers Non-US Gov't Bond Index.